



Vermont Electric Cooperative, Inc.

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April 22, 2011

Via email

Mrs. Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

Re: Workshop on Confidentiality of Power Supply Contract Terms

Dear Mrs. Hudson:

Please accept this letter as the comments of Vermont Electric Cooperative, Inc. filed in response to the Board's March 15, 2011 Memorandum.

As a member-owned electric cooperative, VEC is always mindful that its dealings should be open and transparent to its members. This obligation must be balanced against the understanding that there are occasions when it may be in our members' best interests to maintain in confidence the trade secret information, including competitive cost information, of our power suppliers. VEC believes that it is able to preserve confidential cost and trade secret information while at the same time provide information which is sufficient to keep our members informed about our power supply options.

As a democratic institution controlled by members through their elected representatives, VEC has an obligation to provide information needed by members to make informed decisions. In keeping with that mindset, VEC takes care to disclose as much as possible on its website, including financial statements, business plans, SQRP results, and its energy portfolio. In addition, VEC's Board of Directors has adopted a policy to allow members to attend Board meetings, with the agenda and minutes of each Board meeting available on the website. VEC holds an annual meeting each year where members can learn about and debate current issues facing the Cooperative. VEC does not just pay lip-service to transparency; it is a deeply held value.

In keeping with the commitment to transparent communications, VEC is currently involved in discussions at several levels with its members about long-term agreements to purchase power from a number of resources, including Hydro-Quebec, Kingdom Community Wind, and Vermont Yankee. Some of these discussions are driven by the need for member approval for long term power purchases, as required by 30 V.S.A. §248(c). Specifically, VEC will hold a special member meeting this summer to obtain a member vote on the agreement with Hydro Quebec. VEC will also need a member vote on two transmission projects, one of which is

necessary for the Kingdom Community Wind project. In connection with the member vote, VEC will need to communicate with its members not only to provide the notice that is required by §248(c), but also to provide whatever information the members need to make informed decisions about these two projects. To that end, VEC has set aside time at its May 21, 2011, annual member meeting to discuss both the HQ contract and the Kingdom Community Wind Project, and the presentations will include a discussion of the economics of these two supply sources for VEC.

VEC's Board of Directors is also currently considering another power supply decision that is not subject §248 -- whether to enter into a power supply arrangement with Entergy for Vermont Yankee power. In the interest of openness, VEC has invited interested members to attend and speak at the April 26 Board meeting. To inform members and directors, VEC has invited speakers to make presentations in favor of and against this power purchase decision.

As these examples demonstrate, VEC places a great deal of value on disclosing as much as possible to members so they can understand, influence and support the power supply decisions made by the Cooperative's management and Board of Directors.

Balanced against this desire for transparency is the recognition that in a competitive power market there are times when full disclosure would harm rather than enhance our members' interests. Based on discussions with its power suppliers, VEC understands that there are crucial contract terms (*e.g.*, price levels, pricing formulas, collateral terms, or hedging mechanisms) that they consider trade secrets which provide a competitive advantage and therefore must be kept confidential. If VEC were required to disclose those terms publicly, VEC fears that the result would be that either the suppliers would not want to negotiate with VEC at all or they would offer only such terms as they would want to be known by competing suppliers. If public disclosure of suppliers' trade secrets results in limiting either the number or the quality of power supply options available to VEC, we may lose access to favorable contract terms and ultimately may end up passing on higher power costs in our rates. Such a result is not in our members' best interest. Importantly, VEC believes that it is able to have a full and open dialogue with our members without revealing the detailed trade secret information that our suppliers want to keep confidential.

VEC believes that the processes that the Board has used in the past strike a reasonable balance between the need for and value of public disclosure against the protection of legitimate trade secret information. VEC supports the proposed approach included in the Joint Utility Recommendation.

VEC appreciates the opportunity to share its perspective and looks forward to participating in the workshop on April 28.

Very truly yours,

A handwritten signature in black ink, appearing to read 'VJB', followed by a horizontal line.

Victoria J. Brown

cc: Service List